GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3318
ANSWERED ON:12.05.2006
OUTSOURCING OF BANKING BUSINESS
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Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India has issued any guidelines to individual banks in regard to outsourcing of regular banking business to outside agencies; and

(b) if so, the details thereof and the reasons of such move?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Banks have been permitted to use the services of intermediaries in providing financial and banking services through the use of Business Facilitator and Business Correspondent models. The guidelines have been issued to banks by RBI in January 2006.

Under the `Business Facilitator` model, banks may use intermediaries such as NGOs/ Farmers Clubs, cooperatives, community based organisations, Post Offices, Insurance Agents, well functioning Panchay&ts, Village Knowledge Centers, Agri Clinics/Agri Business Centers, etc. for providing facilitation services. Such services may include-identification of borrowers; collection and preliminary processing of loan applications including verification of primary information/data; creating awareness about savings and other products and education and advice on managing money and debt counseling, etc.

Under the `Business Correspondent Model, NGOs/MFIs set up under Societies/Trust Act, Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, Section 25 companies and Post Office may act as Business Correspondents. The scope of activities under taken by Business Correspondents will include - disbursal of small value credit; recovery of principal/collection of interest; collection of small value deposits; sale of micro insurance/ mutual fund products/pension products/other third party products and receipt and delivery of small value remittances/other payment instruments. This has been done to make available institutional credit to the masses.